



## OFFICE OF PUBLIC INSTRUCTION

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Linda McCulloch  
Superintendent

June 24, 2008

TO: Interested Parties

FROM: Denise Ulberg, School Finance Division Administrator

RE: Notice of School Finance and Pupil Transportation ARMs

OPI is proposing changes to several sections of the Administrative Rules of Montana (ARMs) related to School Finance and Pupil Transportation.

The rule notice is posted at:

<http://www.opi.mt.gov/pdf/legaldivision/10-7-117pro-arm.pdf>

Public comments on these proposals will be accepted in writing through 5:00 p.m. on July 30, 2008, or written/oral comments can be presented at the public hearing which will be held on July 30, 2008 (see ARMs notice for details).

If you have questions or concerns you would like to talk about informally, please call. Depending on your questions, we may be able to answer your concerns and make it unnecessary for you to submit written comments.

To help with your review of proposed changes, this memo summarizes and briefly explains the changes.

### Pupil Transportation

The chart below summarizes the changes that are being contemplated. Changes in the pupil transportation rules are mainly needed because OPI has implemented an online reporting and claims system.

Proposed Changes for Pupil Transportation			
Form/Process	Deadline was:	Proposed deadline:	Comment
Bus service (i.e., provider contracts)	July 1 – hardcopy of bus service provider contracts due to County Supt	No change	

*"It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve."*

Proposed Changes for Pupil Transportation			
Form/Process	Deadline was:	Proposed deadline:	Comment
Bus route (TR-1) and parent mileage contract (TR-4) information	4 <sup>th</sup> Monday in June – TR-4s due from district to County Supt	July 1– districts submit TR-4s online to OPI (hardcopy to County Supt)	Districts save a signed hardcopy for audit
	July 10 – TR-4s due from County Supt to OPI	(County Supt can see contracts online as submitted by districts)  By October 1 – County Supt electronically verifies county approval or denial of "isolation" rates for TR-4s	
	October 1 – TR-1 bus routes due to County Supt  October 15 – TR-1 bus routes due from County Supt to OPI	November 1 – districts submit TR-1 bus routes online to OPI (hardcopy to County Supt)  (County Supt can see contracts online as submitted by districts)  By November 10 – County Supt electronically verifies approval or denial of TR-1 bus routes	
	By mid-October – OPI notifies schools and counties of final TR-4 daily rates	By mid-November - OPI notifies schools and counties that final TR-4 daily rates are available online	
County Transportation Committee Meeting	4 <sup>th</sup> Monday in June	4 <sup>th</sup> Monday in July	Change is requested by County Supt's Association
Claims for parent mileage contracts (TR-6) and bus route mileage reimbursements (TR-5)	By mid-January – OPI mails out paper claim forms for 1 <sup>st</sup> semester	(online)	Districts save a hardcopy for audit
	Feb 1 – Claims for 1 <sup>st</sup> semester due from districts to County Supt	Feb 15 – Claims for 1 <sup>st</sup> semester submitted online from districts to OPI (hardcopy to County Supt)	

Proposed Changes for Pupil Transportation			
Form/Process	Deadline was:	Proposed deadline:	Comment
	<p>Feb 15 – Claims for 1<sup>st</sup> semester due from County Supt to OPI</p> <p>By April 30 – OPI mails out paper claim forms for 2<sup>nd</sup> semester</p> <p>May 10 – Claims for 2<sup>nd</sup> semester due from districts to County Supt</p> <p>May 24 – Claims for 2<sup>nd</sup> semester due from County Supt to OPI</p>	<p>Feb 22 – County Supt approves 1<sup>st</sup> semester claims online</p> <p>(online)</p> <p>May 24 - Claims for 2<sup>nd</sup> semester submitted online from districts to OPI (hardcopy to county)</p> <p>June 1 - County Supt approves 2<sup>nd</sup> semester claims online</p>	
TR-35 Bus Driver Certificates	Ongoing	No change	Changes are needed for electronic system. No date changes.
Transportation payments to districts	<p>1<sup>st</sup> semester payment – in March</p> <p>2<sup>nd</sup> semester payment – in June</p>	No change	

### School Finance

The following chart summarizes proposed changes, reasons a change is needed, and some comments about the intended changes. The majority of these changes are needed to implement 2007 legislation for full-time Kindergarten (FTK), general fund budget and funding changes.

Proposed Changes to ARMS for School Finance and Pupil Transportation			
ARM Section	Change	Reason for Change	Comments
Transportation 10.7.101, 10.7.104, 10.7.105 10.7.106, 10.7.106A, 10.7.109 and 10.7.111, 10.7.113, 10.7.118	See chart above	Most of these changes are needed for OPI's implementation of an online system for collection of contracts, route forms, and claims in FY 2008.	

ARM Section	Change	Reason for Change	Comments
ARM 10.10.310 Tuition Rates	Amends to reflect FTK	SB 2 Special Session	
ARM 10.10.310 Unobligated Tuition Money in Misc Programs Fund (15)	States that LEA must close unused funds into the general fund at year-end by Sept 30.	Generally acceptable accounting principals (GAAP).	Consistent with 10.10.312 and 10.10. 315
ARM 10.15.101 Defn	Amends definitions for FTK law changes, reflects addition of middle school entitlement	SB 2 Special Session	
ARM 10.20.102 ANB Calculations	<p>1. Clarifies "10-day rule" for enrollment counts (not a change from current practice)</p> <p>2 Implements 180 hours instead of 181 hours to reflect law correction</p> <p>3. Builds in FTK changes</p> <p>4. Adds process for changing or not changing 3 year ANB for errors depending on when they're found.</p>	SB 2 Special Session	4. i.e., We'll make funding adjustments for enrollment corrections, but NOT change ANB unless it's a significant difference for future or past years. (see below for further explanation)
ARM 10.20.102A Budget Units	Removes the proration of basic entitlements for a middle school, which was replaced with middle school entitlements.	SB 2 Special Session	
ARM 10.20.104 Anticipated ANB increases	Changes for FTK and 180 hours	SB 2 Special session	
NEW 10.20.104A(?) Initial Yr of FTK	How to recognize additional ANB for FTK in first year	SB 2 Special session	
ARM 10.21.101B GTB Calculations	Percentage changed to 1.93 from 1.75 in calc	SB 2 Special Session	

ARM Section	Change	Reason for Change	Comments
ARM 10.21.101H Calculation of Debt Limits	Change debt limit to 50% from 45% of taxable valuation, for law change	HB 672 Glaser	No funding impacts. The law increased the level of indebtedness an LEA can amass, but did not change the funding for school facilities payments, etc.
ARM 1.21.201 Quality Educator (QE) Payments	Increasing number of FTE for implementation of FTK.	SB 2 Special Session	For implementing FTK, add 1 FTE for QE payments for every 12 full-time K students for first year.
ARM 10.21.202 At Risk Students Payments	Add calculation for payment amounts	Clean-up from 2005 Special Session	Doesn't change the method already being used. Documents method used.
ARM 10.21.203 IEFA Payments	Note the year of the reports used in calculating payments	Clean-up from 2005 Special Session	Doesn't change the method already being used, just documents the method used.
ARM 10.22.102 Gen Fund Spending Limits	Replaces entire section to new limits	HB 363 Ward	
ARM 10.23.103 Voted Amt	New method of determining voted amounts	HB 363 Ward	
ARM 10.16.3818 Spec Ed tuition rates	FTK	SB 2 Special session	Clean up to maintain consistency

#### Further Explanation of 10.20.102

The changes in 10.20.102(4)(a) and (4)(b) do not impact the way ANB is counted. The change separates the references to the 11th consecutive day of absence and the other qualifications in (b). That way, (5) makes more logical sense when it refers specifically to (4)(b) for cases of a student being dropped from the rolls, which does not necessarily happen in (a) but does happen in situations under (b).

New subsection (16) explains the process for OPI's adjustments for enrollment corrections. When an enrollment error is discovered through an audit or other means before the district's final budget is adopted and before the final budget meeting is required by law to occur, OPI will recalculate the district's ANB, including 3-year ANB, for the upcoming budget year. If the error is discovered later, OPI will adjust the payment amount so the district receives the state payment they would have been eligible to receive, but the ANB itself will not be adjusted for that year or any subsequent year.

The enrollment for any previous year can affect up to a 4-year period because of the 3-year ANB, causing prior year payments to have been inaccurately paid, future year's GTB calculations to be inaccurate, general fund components to be over or under paid, taxation to have been made based on the wrong GTB, etc. The cumulative corrections are not possible to fully correct, and staff time and computer programming efforts are prohibitive.

The impact of this process is that districts whose ANB cannot be corrected due to the late discovery of the enrollment reporting errors may not use the late corrections to increase future 3-year ANB calculations and will not be "docked" in future ANB calculations for enrollment decreases. In cases where the impacts would be extreme, OPI will make changes in ANB for future years--but due to the extreme complexity, this would rarely occur.

For example, if enrollment was under-reported in FY 2005-06 and discovered during FY 2007-08, the district would be paid the direct state aid and GTB for FY 2006-07 as if the ANB had included that enrollment. However, the ANB itself would not be changed, since the ANB was already used for determining the FY 2006-07 and had also impacted 3-year ANB used for the FY 2007-08 budget. In future years, ANB originally used on the FY 2006-07 and FY 2007-08 budgets would continue to be used for calculating the 3-year ANB.

Thanks for taking time to review these proposed changes. Please direct your questions by phone or email to School Finance Division Administrator, Denise Ulberg, (406) 444-1960 or [dulberg@mt.gov](mailto:dulberg@mt.gov).